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DEPARTMENT OF THE INTERIOR

Bureau of Reclamation

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Notice of Intent to Accept Proposals, Select Preliminary Lessee, and Contract for Hydroelectric Power Development on Lake Roosevelt Reservoir, Grand Coulee, Washington

AGENCY: Bureau of Reclamation, Interior.

ACTION: Notice of intent to accept proposals, select lessee, and contract for pumped-storage hydroelectric power on Lake Roosevelt.

SUMMARY: Current Federal policy allows non-Federal entities to develop electrical power resources on Federal water resource projects. This Notice seeks proposals to develop pumped-storage hydroelectric power utilizing Lake Roosevelt, located in Washington. This Notice provides background information, proposal content guidelines, and information concerning the selection of a non-Federal entity as a preliminary lessee. The Bureau of Reclamation (Reclamation) is considering such hydroelectric power development under its lease of power privilege (LOPP) process. Interested entities are invited to submit proposals on this project. This Notice of Intent to accept proposals does not obligate Reclamation to select a preliminary-lessee; the decision to select a preliminary-lessee will ultimately be made based on the qualifications of submitted proposals.

DATES: A written proposal with seven copies and an electronic version of the proposal must be submitted on or before 4 p.m. (Mountain Standard Time) on [INSERT DATE

150 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]. A proposal will be considered timely only if it is received in the office of the Regional Power Manager on or before 4 p.m. on the above-designated date. Interested entities are cautioned that delayed delivery to the Regional Power Manager's office due to failures or misunderstandings of the entity and/or of mail, overnight, or courier services will not excuse lateness, and accordingly, are advised to provide sufficient time for delivery. Late proposals will not be considered.

ADDRESSES: Send written proposal with seven copies and an electronic version of the proposal to Mr. Joseph Summers, Regional Power Manager, Bureau of Reclamation, 1150 North Curtis Road, Suite 100, Boise, ID 83706; telephone (208) 378-5290.

FOR FURTHER INFORMATION CONTACT: Direct questions regarding proposal requirements or technical data available for reservoirs included in this project to Mr. Benjamin Miller, Bureau of Reclamation, 1150 North Curtis Road, Suite 100, Boise, ID 83706; telephone (208) 378-5196; email bjmiller@usbr.gov. Upon receipt of written request, Mr. Miller will arrange an informational meeting and/or site visit with interested entities as needed. Reclamation reserves the right to schedule a single meeting and/or visit to address the questions of all entities that have submitted questions or requested site visits. Specific information related to operation and maintenance of Reclamation facilities utilizing Banks Lake and/or Lake Roosevelt may also be obtained from Mr. Miller at the above contact information.

SUPPLEMENTARY INFORMATION: Ensuring energy and economic security for America through hydropower is a top priority in the Department of the Interior's 2018 Strategic Plan. This priority is achieved in part via new energy generation from

hydropower. The Department, acting through Reclamation, will consider proposals for non-Federal development of pumped-storage hydroelectric power utilizing Lake Roosevelt for a pumped-storage project.

This project is subject to the dual jurisdiction of Reclamation and the Federal Energy Regulatory Commission (FERC). Reclamation has jurisdiction over the parts of the project within the boundaries of Lake Roosevelt and will consider these parts of the project under its LOPP process. FERC jurisdiction applies to all elements of a proposed pumped-storage hydroelectric power project at Lake Roosevelt that are outside of Reclamation authorizations. In this case, FERC jurisdiction will include Banks Lake (the upper reservoir), a large part of the penstock connecting the upper reservoir with the lower reservoir (Lake Roosevelt), underground tunnel(s) and powerhouse, and other facilities (such as power transmission lines and access roads that are outside of Reclamation jurisdiction).

General Overview

Congress authorized the Columbia Basin Project, located in Central Washington, in 1943. The Columbia Basin Project includes Grand Coulee Dam and its three powerplants, John Keys Pump Generating Plant, North Dam, Dry Falls Dam, Lake Roosevelt and Banks Lake reservoirs. Grand Coulee Dam is a multiple purpose structure that supports irrigation, power, and flood control. Grand Coulee Dam has the ability to generate 6,809 MW of electrical power. John Keys Pump Generating Plant has six pumps and six pump-generators that combined, are able to produce 314 megawatts of electrical power. Lake Roosevelt Reservoir has a water storage capacity of 9.5 million acre-feet. Banks Lake Reservoir has a water storage capacity of 1.275 million acre-feet.

Reclamation is considering allowing a non-Federal pumped-storage hydroelectric power development utilizing Lake Roosevelt under a LOPP. A congressionally authorized alternative to Federal hydroelectric power development, a LOPP is an authorization issued to a non-federal entity to utilize a Reclamation asset for electric power generation consistent with Reclamation project purposes. LOPPs have terms not to exceed 40 years. The general authority for LOPP under Reclamation law includes, among others, the Town Sites and Power Development Act of 1906 (43 U.S.C. § 522), the Reclamation Project Act of 1939 (43 U.S.C. § 485h(c)) (1939 Act), and the Bureau of Reclamation Small Conduit Hydropower Development and Rural Jobs Act of 2013 (Act of August 9, 2013, 127 Stat. 498). For guidance regarding LOPP refer to Reclamation Manual Directive and Standard, *Lease of Power Privilege (LOPP) Processes, Responsibilities, Timelines, and Charges* (FAC 04-08) (<https://www.usbr.gov/recman/DandS.html>).

Reclamation and FERC are responsible for ensuring any project selected for consideration pursuant to this Notice of Intent complies with the National Environmental Policy Act (NEPA), the National Historic Preservation Act (NHPA), Endangered Species Act (ESA), and other related environmental regulations for all elements of the proposed project. Reclamation and FERC will also lead necessary consultation with American Indian Tribal Governments. A LOPP may be denied, or withdrawn if already issued, due to inadequate compliance studies or unsatisfactory environmental impacts. All Reclamation costs associated with project planning and regulatory compliance requirements will be borne by the selected applicant.

Fundamental Considerations and Requirements

As indicated above, Reclamation can only issue an LOPP for the lower reservoir (Lake Roosevelt) in a pumped-storage system and any other area where Reclamation has jurisdiction. Parallel approvals from FERC will be necessary for project elements where FERC has jurisdiction. These elements will include part of the penstock, the upper reservoir and potential appurtenant facilities such as transmission lines, access roads, etc. Reclamation and FERC will determine the appropriate relationship between the two agencies in coordinating the study and decision-making process.

Any LOPP utilizing Lake Roosevelt must not interfere with existing contractual commitments related to operation and maintenance of facilities and systems supporting the Columbia Basin Project. The lessee (i.e., successful proposing entity) will be required to enter into a contract with Reclamation. This contract will (1) address requirements related to coordination of operation and maintenance with Columbia Basin Project stakeholders, and (2) stipulate that the LOPP lessee will be responsible for any increase in operation or maintenance costs that are attributable to the hydroelectric power development.

No LOPP facilities will be permitted within the Reclamation zone surrounding Grand Coulee Dam and support structures, including inlet/outlet works, hydropower facilities, access tunnels, and appurtenant facilities. The one exception to this constraint may be power transmission lines.

The lessee would be responsible for securing transfer and marketing of the power generated by the proposed project. Bonneville Power Administration (BPA) will have the first opportunity to purchase and/or market the power that is generated by this project under a LOPP. In the event BPA elects to not purchase and/or market the power

generated by the hydropower development or such a decision cannot be made prior to execution of the LOPP, the lessee will have the right to market the power generated by the project to others.

All costs incurred by the United States related to a proposed LOPP project will be at the expense of the lessee. Such costs include management and coordination of necessary Reclamation activities, provision of information, conduct or assistance with regulatory compliance (including NEPA), consultation during design development related to operation and maintenance under a LOPP, development of the LOPP, necessary contracts with outside consultants, or any other cost for which the government would be reimbursed by an applicant or the general public.

Under the LOPP, the lessee will be required to make annual payments to the United States for the use of a government facility in the amount of at least 2-3 mills per kilowatt-hour of gross energy produced by the facility, measured at the generator(s). Provisions will be included for the mill rate to increase each year commensurate with inflation. Such annual payments shall be deposited in the Reclamation fund as a credit to the project and are applied against the total outstanding reimbursable repayment obligation for reimbursable project construction costs of the Federal project on which the LOPP is issued pursuant to the existing construction cost allocation.

The proposed LOPP must not impair efficiency of Reclamation-generated power or water deliveries, jeopardize public safety, nor negatively affect any other Reclamation project purpose.

Proposal Content Guidelines

Interested parties should submit proposals specifically addressing the following

qualifications, capabilities, and approach factors. Proposals submitted will be evaluated and ranked directly based on these factors. Additional information may be provided at the discretion of those submitting proposals.

Qualifications of Proposing Entity: Provide relevant information describing/ documenting the qualifications of the proposing entity to plan, design, and implement such a project, including, but not limited to:

- (1) Type of organization;
- (2) Business history, including length of time in business, experience in funding, and design and construction of similar projects;
- (3) Industry rating(s) that indicate financial soundness and/or technical and managerial capability;
- (4) Experience of key management personnel;
- (5) History of any reorganizations or mergers with other companies (if applicable);
- (6) Information pertaining to qualification as a preference entity (as applied to a LOPP, the term “preference entity” means an entity qualifying for preference under Section 9(c) of the 1939 Reclamation Project Act as a municipality, public corporation or agency, or cooperative or other nonprofit organization financed in whole or in part by loans made pursuant to the Rural Electrification Act of 1936, as amended). If proposing as a group of entities or as a subdivision of an entity, explain whether and why the group or subdivision qualifies as preference entities; and
- (7) Any other information not already requested above or in the following evaluation categories that demonstrates the interested entity’s organizational, technical,

and financial ability to perform all aspects of the work.

Proposed Project Plan: Describe and provide mapping and drawings of proposed facilities and equipment comprising the LOPP project. Include locations and descriptions of all structures, pumps/turbines, penstocks, upper and lower reservoirs, transmission lines, access roads, and other appurtenant facilities.

Describe proposed capacities and general operation of the pumped-storage hydroelectric project(s). Include generation capacity, power source, and power consumption; configuration, turbine generating capacity, distribution transmission line size, and route; and other relevant aspects of the project.

Describe the ability of generation to provide ancillary services, such as regulation, spinning reserves, and volt-ampere reactive support; and information on the reliability of the generation, potential maintenance outage schedule, and duration.

Also describe diurnal, seasonal and/or annual patterns (as relevant) of energy generation and consumption. Include descriptions and estimates of any influence on power generation capacity and/or consumption attributable to type of water year (i.e., each month of average, dry, or wet water years, as relevant). If capacity and energy can be delivered to another location, either by the proposing entity or by potential wheeling agents, specify where capacity and energy can be delivered. Include concepts for power sales and contractual arrangements, involved parties, and the proposed approach to wheeling, as relevant.

Proposed Approach to Acquisition of Necessary Property Rights: Specify plans for acquiring title to or the right to occupy and use all lands necessary for the proposed development, including such additional lands as may be required during construction.

Address lands necessary for electrical distribution lines, access roads, and all aspects of project development and operation and maintenance.

Proposed Plan for Acquisition/Perfection of Water Rights: Necessary water rights or purchases must be arranged by the project proponent(s). Quantify water necessary for operation of the proposed development(s). Identify the source of water rights acquired or to be acquired to meet these water needs, including the current holder of such rights, and how these rights would be used, acquired, or perfected.

Impact on Columbia Basin Project Water Rights and Operations: Describe any potential changes in seasonal or annual fulfillment of existing water rights or storage contracts that may occur as a result of the proposed pumped-storage hydroelectric power project. Also provide full hydrologic analysis and related studies exploring potential impact of the project on current operations and projected operations of Grand Coulee Dam, John Keys Pump Generating Plant, Lake Roosevelt Reservoir, Banks Lake Reservoir, and/or the Columbia Basin Project as a whole.

This analysis should include estimates of daily fluctuations in reservoir elevation attributable to proposed project operations, including schedule (nighttime filling, daytime generation) and other details pertinent to reservoir fluctuations.

Long-Term Operation and Maintenance: Provide a description (with relevant references) of the project proponent's experience in operation and maintenance of hydroelectric or similar facilities once they are operational and over the long-term (i.e., the 40-year lease contemplated for the proposed project). Identify the organizational structure and plan for the long-term operation and maintenance of the proposed project. Define how the proposed project would operate in harmony with Lake Roosevelt and

Banks Lake reservoirs, and the Columbia Basin Project as a whole, specifically related to existing contracts for operation and maintenance of Columbia Basin Project features.

Contractual Arrangements: Describe any anticipated contractual arrangements with project stakeholders of the Columbia Basin Project, including contractual arrangements to utilize Lake Roosevelt and Banks Lake water rights. Define how the LOPP project would operate in harmony with the Reclamation project and existing applicable contracts.

Management Plan: Provide a management plan to accomplish such activities as planning; NEPA, NHPA, ESA compliance, and other necessary studies; LOPP project development, design, construction, safety plan, facility testing, start-up of hydropower production; and preparation of an Emergency Action Plan. Prepare schedules of these activities as applicable. Describe what studies are necessary to accomplish the hydroelectric power development and how the studies would be implemented.

Environmental Impact: Discuss potentially significant adverse impacts from the proposed project on biophysical or sociocultural resource parameters on the Columbia Basin Project as a whole. Of concern are potential impacts on land use adjacent to proposed facilities, recreation at the surrounding areas, cultural resources, and Indian Trust assets, and impacts on any protected aquatic or terrestrial wildlife species or associated protected habitat.

Discuss potential adverse impacts based on available information. Provide information on the types and severity of expected impacts and proposed methods of resolving or mitigating these impacts. Describe also any potentially beneficial environmental effects that may be expected from the proposed project, including such

perspectives as energy conservation or using available water resources in the public interest. As necessary, describe studies required to adequately define the extent, potential severity, and potential approaches to mitigation of impacts that may be associated with the proposed development.

Other Study and/or Permit Requirements: Describe planned response to other applicable regulatory requirements, including the NHPA, Clean Water Act, ESA, and state and local laws and licensing requirements. Also describe any known potential for impact on lands or resources of American Indian tribes, including trust resources.

Project Development Costs and Economic Analysis: Estimate the costs of development, including the cost of studies to determine feasibility, environmental compliance, project design, construction, financing, and the amortized annual cost of the investment. Estimate annual operation and maintenance, replacement expenses, annual payments to the United States, and those potentially associated with the Columbia Basin Project. Estimate costs associated with any anticipated additional transmission or wheeling services. Identify proposed methods of financing the project. The anticipated return on investment should be estimated and an economic analysis should be presented that compares the present worth of all benefits and the costs of the project.

Performance Guarantee and Assumption of Liability: Describe plans for (1) providing the government with performance bonds or irrevocable letter of credit covering completion of the proposed project; (2) assuming liability for damage to the structural integrity of North Dam or any other Reclamation asset physically altered as part of proposed project; (3) assuming liability for damage to the operational integrity of John Keys Pump Generating Plant, Grand Coulee Dam, Lake Roosevelt and Banks Lake

reservoirs, or other aspects of the Columbia Basin Project caused by construction, operation and/or maintenance of the hydropower development; and (4) obtaining general liability insurance.

Other Information: This final paragraph is provided for the applicant to include additional information considered relevant to Reclamation's selection process in this matter.

Selection of Lessee

Reclamation will evaluate proposals received in response to this published Notice. Proposals will be ranked according to response to the factors described in Fundamental Requirements and Considerations and Proposal Content Guidelines sections provided in this Notice. In general, Reclamation will give more favorable consideration to proposals that (1) are well adapted to developing, conserving, and utilizing the water resource and protecting natural resources; (2) clearly demonstrate that the offeror is qualified to develop the hydropower facility and provide for long-term operation and maintenance; and (3) best share the economic benefits of the hydropower development among parties to the LOPP. A proposal will be deemed unacceptable if it is inconsistent with Columbia Basin Project purposes, as determined by Reclamation.

Reclamation will give preference to those entities that qualify as preference entities, as defined under Proposal Content Guidelines of this Notice, provided that the preference entity is well qualified and their proposal is at least as well adapted to developing, conserving, and utilizing the water and natural resources as other submitted proposals. Preference entities will be allowed 30 days from notification to improve their proposals, if necessary, to be made at least equal to a proposal(s) that may have been

submitted by a non-preference entity.

The Notice of Intent to accept proposals does not obligate Reclamation to ultimately select a lessee.

Notice and Time Period to Enter Into LOPP

Reclamation will notify, in writing, all entities submitting proposals of Reclamation's decision regarding selection of the potential lessee. Time period requirements to sign the preliminary lease, sign the LOPP contract, design completion, and construction will be administered in accordance with Reclamation Manual Directive and Standard, *Lease of Power Privilege (LOPP) Processes, Responsibilities, Timelines, and Charges* (FAC 04-08).

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Interior Region 9: Columbia-Pacific-Northwest,
Bureau of Reclamation.

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